

# Disclosure Brochure

March 31, 2011

## **Sapere Wealth Management, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Sapere Wealth Management, LLC (hereinafter "SWM"). If you have any questions about the contents of this brochure, please contact Scott Trease at (704) 321-5244. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Sapere Wealth Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Sapere Wealth Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since SWM's last annual update dated March 24, 2010. SWM does not have any material changes to disclose in this Item.

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### Supervised Person Brochure Supplements

## Item 4. Advisory Business

SWM provides financial planning, consulting, and investment management services. Prior to engaging SWM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with SWM setting forth the terms and conditions under which SWM renders its services (collectively the “Agreement”).

SWM has been in business since 2002. Scott Trease is the principal owners of SWM.

SWM has \$819,962,345 of discretionary assets under management as of December 31, 2010

This Disclosure Brochure describes the business of SWM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of SWM’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on SWM’s behalf and is subject to SWM’s supervision or control.

### Investment Management Services

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Clients can engage SWM to manage all or a portion of their assets on a discretionary basis.

SWM primarily allocates clients’ investment management assets among mutual funds and privately placed securities in accordance the with the investment objectives of the client. SWM also provides advice about any type of investment held in clients’ portfolios.

SWM also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client’s primary custodian. In so doing, SWM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

SWM tailors its advisory services to the individual needs of clients. SWM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients’ investment needs. SWM ensures that clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify SWM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon SWM’s management services. Clients may request reasonable restrictions or mandates on the management of their account if, in SWM’s sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Management of Collective Investment Vehicle

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SWM's affiliate, Sapere Fund Management, LLC ("*SFM*"), is the general partner and/or investment adviser to a number of pooled investment vehicles (the "*Private Funds*"), which typically invest through other pooled investment vehicles (commonly referred to as "fund of funds"). Interests in the *Private Funds* are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. The *Private Funds* currently rely on an exemption from registration under the Investment Company Act of 1940, as amended. SWM's affiliate has discretionary authority to determine the broker or dealer to be used by the *Private Fund*.

Participation as an investor in the *Private Fund* is restricted to investors that are qualified clients pursuant to the requirements under Rule 205-3 under the Investment Advisers Act of 1940, as well as are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended.

To the extent certain of SWM's individual advisory clients qualify, they will be eligible to participate as limited partners of the *Private Fund*. Investment in the *Private Fund* involves a significant degree of risk. All relevant information, terms and conditions relative to the *Private Fund*, including the compensation received by SWM or *SFM* as the general partner and/or investment manager, suitability, risk factors, and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum (the "*Memorandum*"), Limited Partnership Agreement or similar shareholder agreement (the "*Agreement*"), and Subscription Agreement (together, the "*Offering Documents*"), which each investor is required to receive and/or execute prior to being accepted as an investor in the *Private Fund*.

While the *Private Fund* is generally SWM's client, the term "client(s)" sometimes refers to the investors in the *Private Fund*.

SWM and *SFM* will devote their best efforts with respect to its management of both the *Private Fund* and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the *Private Fund*, SWM and *SFM* may give advice or take action with respect to the *Private Fund* that differs from that for individual client accounts. To the extent that a particular investment is suitable for both the *Private Fund* and certain individual client accounts, such investments will be allocated between the *Private Fund* and the individual client accounts pro rata based on the assets under management or in some other manner which SWM determines is fair and equitable under the circumstances to all of its clients.

## Financial Planning and Consulting Services

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SWM may provide its clients with a broad range of comprehensive financial planning and consulting services. These services may include non-investment related matters such as tax planning, budget analysis, investment planning, insurance planning, estate planning, retirement planning, business planning, employee benefits planning and college education funding.

## Sapere Wealth Management, LLC Disclosure Brochure

In performing its services, SWM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. SWM may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if SWM recommends its own services. The client is under no obligation to act upon any of the recommendations made by SWM under a financial planning or consulting engagement or to engage the services of any such recommended professional, including SWM itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of SWM's recommendations. Clients are advised that it remains their responsibility to promptly notify SWM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising SWM's previous recommendations and/or services.

## Item 5. Fees and Compensation

SWM offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management. Additionally, certain of SWM's *Supervised Persons*, in their individual capacities, may offer securities brokerage services and insurance products under a commission arrangement.

### Investment Management Fee

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SWM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by SWM. SWM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. SWM does not, however, receive any portion of these commissions, fees, and costs. For the initial calendar quarter of services, SWM's fee is prorated and charged in arrears, while in subsequent quarters the annual fee is prorated and charged quarterly, in advance. Fees are based upon the market value of the assets on the last day of the previous quarter. The annual fee is 1.00% of the market value of the assets under management.

SWM, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), SWM generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*")

SWM may only implement its investment management recommendations after the client has arranged for and furnished SWM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by SWM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by managers to privately placed securities, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to SWM's fee.

SWM's *Agreement* and the separate agreement with any *Financial Institutions* authorizes SWM to debit the client's account for the amount of SWM's fee and to directly remit that management fee to SWM. Any *Financial Institutions* recommended by SWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SWM.

### **Fees for Management During Partial Quarters of Service**

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The *Agreement* between SWM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. SWM's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to SWM's right to terminate an account. Additions may be in cash or securities provided that SWM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to SWM, subject to the usual and customary securities settlement procedures. However, SWM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. SWM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter that exceed 10% of the starting portfolio value for that quarter, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

### **Financial Planning and Consulting Fees**

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SWM may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$15,000 on a fixed fee basis and/or from \$125 to \$500 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages SWM for additional investment advisory services, SWM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging SWM to provide financial planning and/or consulting services, the client is required to enter into a written agreement with SWM setting forth the terms and conditions of the engagement. Generally, SWM requires one-half of the financial planning/consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.



## **Item 6. Performance-Based Fees and Side-by-Side Management**

SWM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

SWM provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

### Minimum Fee

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As a condition for starting and maintaining a relationship, SWM generally imposes a minimum annual fee of \$10,000. This minimum fee may have the effect of making SWM's service impractical for certain clients with smaller accounts. In addition, SWM reserves the right to impose a minimum fee of \$250 per quarter on any account which would otherwise have fees falling below \$1,000 per year. SWM, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

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SWM utilizes a variety of methods and strategies to make investment decisions and recommendations with a primary emphasis on fundamental, top-down global macroeconomic analysis. These methods involve fundamental economic research, charting and cyclical analysis, encompassing value-driven, mean- reversion-type thinking with a one to three year time horizon. In other words, SWM dedicates a significant amount of time "reading and thinking" to better understand the global macroeconomic environment of the day and then identifying the specific economic habitat that is present. Once the specific economic environment or economic habitat is identified, SWM deploys assets into instruments/securities that are believed to be positioned to consistently achieve a successful investment outcome. SWM believes that both safety and profits are rooted in buying assets that exhibit abnormally large risk premiums, significantly below historical lows, and then patiently waiting for a return to normalcy to harvest expected positive returns.

### Investment Strategies

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This section sets forth the quantifiable investment objective, the eligible investment universe, the risk profile, and the liquidity objective that SWM seeks to achieve.

#### *Investment Management Objectives:*

SWM manages its model portfolios (the "*Models*") from an absolute return perspective (as compared to the more traditional relative return perspective). SWM believes that the client expects their professional advisors to achieve an agreed-upon outcome rather than simply "beating" an arbitrary index or benchmark. Simply said, absolute return investing focuses on achieving positive investment outcomes over adherence to a pre-defined investment process where the outcome is secondary. This means that SWM deploys clients' investment capital only where it: 1) sees opportunities for above-average returns with minimal risk of capital loss and without sacrificing ample liquidity, 2) has confidence that it understands the opportunity and is not drifting into an area that is beyond SWM's level of collective expertise, and 3) is able to buy assets at a price so demonstrably below historical norms that a patient investor would reasonably conclude that a simple return to normalcy will deliver attractive positive returns without regard for the direction of traditional investments like the stock market.

## Sapere Wealth Management, LLC Disclosure Brochure

### *Model Portfolio Attributes:*

**Allocation.** The *Models* are comprised of various registered and unregistered funds, exchange traded funds, and private investments funds for which SWM or its affiliates serve as general partner or investment manager (the *Private Funds* discussed above).

**Liquidity:** SWM values liquidity highly and actively manages both investment and client liquidity. In general:

- A minimum of one third of a client's portfolio will be available to the client on no more than a monthly basis. SWM will seek to accommodate requests for intra-month liquidity, in consultation with the client.
- From time to time SWM may consider investing in opportunities or strategies that require commitments of greater than one year. SWM will notify the client prior to making such investments. Such investments are not expected to exceed 40% of the client portfolio.
- **Asset Class Constraints:** SWM has discretion to construct the holistic portfolio without any "asset class" limitations as long as the chosen investments remain within the stated liquidity constraints.
- **Volatility:** SWM seeks to keep the maximum peak-to-trough drawdown for the holistic portfolio at less than twenty percent (20%).

**Spending Policy:** If SWM is able to attain the targeted investment objectives, portfolio growth will be sufficient to successfully execute a minimum annual spending policy without invading invested capital, in inflation-adjusted terms.

**Safekeeping:** Client assets are held by third party custodians. With respect to the *Private Funds*, custody is held by major custodians and prime brokers, and administered by major independent administrators who verify the existence and the value of the assets at least quarterly.

**Valuation:** All portfolio assets are valued by third parties. SWM does not provide pricing for any client asset.

**Affiliated Funds:** As discussed above, SWM may create private investment funds or accounts to achieve investment objectives and capture certain advantages not available in the public markets. If an allocation is made to a *Private Fund*, the Advisor will provide full offering materials to the client, including subscription documents. Fees from the client to the advisor are only charged once; absent specific discussion with the client, the client will not be charged additional fees at the *Private Fund* level.

The appropriate model portfolio will be determined by Qualified Purchaser, Accredited Investor and Qualified Client status as well as the total market value of the assets SWM is being asked to manage.

## Risks of Loss

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### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Market Risks*

The profitability of a significant portion of SWM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that SWM will be able to predict those price movements accurately.

### *Management Through Similarly Managed Accounts*

SWM manages portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, SWM buys, sells, exchanges and/or transfers securities based upon the *investment strategy*.

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SWM's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

SWM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. SWM does not have any required disclosures to this Item.

## **Item 10. Other Financial Industry Activities and Affiliations**

SWM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.



## Item 11. Code of Ethics

SWM and persons associated with SWM ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with SWM's policies and procedures.

SWM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by SWM or any of its associated persons. The *Code of Ethics* also requires that certain of SWM's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in SWM's *Code of Ethics*, none of SWM's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of SWM's clients.

When SWM is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when SWM is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

As discussed above in response to Item 4, an affiliate of SWM is the general partner to the *Private Funds*. SWM may recommend, on a fully disclosed basis, that certain clients invest in the *Private Funds*. As such, a conflict of interest exists to the extent that SWM recommends that clients invest in *Private Fund*. SWM does not receive any additional compensation if a client invests in the *Private Funds*. As such, SWM does not believe this arrangement poses any additional conflict of interest.

Clients and prospective clients may contact SWM to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, SWM generally recommends that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which SWM considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables SWM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by SWM's clients comply with SWM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where SWM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. SWM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom SWM and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. SWM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct SWM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and SWM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by SWM (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Additionally, in the event the client directs SWM to provide advisory services to accounts held at more than one broker-dealer, SWM shall charge an additional administrative fee of \$1,000.00 per quarter over and above its customary fee. Subject to its duty of best execution, SWM may decline a client's request to direct brokerage if, in SWM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless SWM decides to purchase or sell the same securities for several clients at approximately the same time. SWM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among SWM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently.

Under this procedure, transactions will generally be averaged as to price and allocated among SWM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that SWM determines to aggregate client orders for the purchase or sale of securities, including securities in which SWM's *Supervised Persons* may invest, SWM generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. SWM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that SWM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, SWM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

SWM maintains a trade error account at *Fidelity* for reimbursement when errors result in losses to clients. However, it is SWM's intention to keep trade error gains in the event of such an occurrence.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist SWM in its investment decision-making process. Such research generally will be used to service all of SWM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because SWM does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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SWM may receive from *Fidelity*, without cost to SWM, computer software and related systems support, which allow SWM to better monitor client accounts maintained at *Fidelity*. SWM may receive the software and related support without cost because SWM renders investment management services to clients that maintain assets at *Fidelity*. The software and related systems support may benefit SWM, but not its clients directly. In fulfilling its duties to its clients, SWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that SWM's receipt of economic benefits from a broker-

dealer creates a conflict of interest since these benefits may influence SWM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, SWM may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### Item 13. Review of Accounts

For those clients to whom SWM provides investment management services SWM will review the client's portfolio at least quarterly and make any adjustments to investment allocations as dictated by the SWM's Investment Committee. For those clients to whom SWM provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by the Principal of SWM, Scott Trease and/or any of the investment adviser representatives under his supervision. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with SWM and to keep SWM informed of any changes thereto. SWM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom SWM provides investment advisory services will also receive a report from SWM that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from SWM.

Those clients to whom SWM provides financial planning and/or consulting services will receive reports from SWM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by SWM.

### **Item 14. Client Referrals and Other Compensation**

SWM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, SWM is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to SWM by either an unaffiliated or an affiliated solicitor, SWM may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from SWM's investment management fee, and does not result in any additional charge to the client. If the client is introduced to SWM by an unaffiliated solicitor, the solicitor provides the client with a copy of SWM's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of SWM discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of SWM's written disclosure brochure at the time of the solicitation.

### Item 15. Custody

SWM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize SWM through such *Financial Institution* to debit the client's account for the amount of SWM's fee and to directly remit that management fee to SWM in accordance with applicable custody rules.

The *Financial Institutions* recommended by SWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SWM. In addition, as discussed in Item 13, SWM also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from SWM.

Furthermore, the *Private Funds* will be audited annually by a Public Company Accounting Oversight Board firm, and the financials distributed to investors.

### Item 16. Investment Discretion

SWM is given the authority to exercise discretion on behalf of clients. SWM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. SWM is given this authority through a power-of-attorney included in the agreement between SWM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). SWM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The commission rates to be paid.



### Item 17. Voting Client Securities

SWM may vote client securities (proxies) on behalf of its clients. When SWM accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in SWM's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in SWM's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact SWM to request information about how SWM voted proxies for that client's securities or to get a copy of SWM's Proxy Voting Policies and Procedures. A brief summary of SWM's Proxy Voting Policies and Procedures is as follows:

- SWM has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to SWM's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, SWM devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct SWM's vote on a particular solicitation but can revoke SWM's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that SWM maintains with persons having an interest in the outcome of certain votes, SWM takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

SWM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, SWM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. SWM has no disclosures pursuant to this Item.

## **Sapere Wealth Management, LLC**

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